GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:930
ANSWERED ON:28.11.2006
EASY ENTRY OF FOREIGN INVESTORS IN REAL ESTATE
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government proposes to ease the entry of foreign investors in real estate;

(b) if so, the details thereof alongwith its aims and objectives;

(c) the details of measures taken by the Government to safeguard the interest of Indian consumers / end users of real estate; and

(d) the steps take by the Government to check violation of the guidelines on the subject?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR)

(a) & (b): Government vide Press Note 2 (2005 Series) has allowed Foreign Direct Investment (FDI) up to 100%, under the automatic route, in construction development projects, including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships, in order to promote FDI in the Sector. FDI is not permitted in any other activity of Real Estate. Copy of the Press Note 2 (2005 Series) is at Annex.

(c) & (d): FDI in Real Estate has been allowed up to 100% on the automatic route but is subject to the conditions of the Press Note 2 (2005 Series) which lays down, inter-alia, conditions to be fulfilled regarding minimum area, minimum capitalisation and development of plots, in order to safeguard interest of end users. Violation of guidelines are dealt under the provisions of Foreign Exchange Management Act (FEMA) 1999.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION NO. 930 FOR ANSWER ON 28.11.06

Government of India Ministry of Commerce & Industry Department of Industrial Policy & Promotion SIA (FC Division)

Press Note 2 (2005)

Subject: Foreign Direct Investment (FDI) in townships, housing, built-up infrastructure and construction-development projects

With a view to catalysing investment in townships, housing, built-up infrastructure and construction-development projects as an instrument to generate economic activity, create new employment opportunities and add to the available housing stock and built-up infrastructure, the Government has decided to allow FDI up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to the following guidelines:

a. Minimum area to be developed under each project would be as under:

i. In case of development of serviced housing plots, a minimum land area of 10 hectares
ii. In case of construction-development projects, a minimum built-up area of 50,000 sq.mts
iii. In case of a combination project, anyone of the above two conditions would suffice

b. The investment would further be subject to the following conditions:

i. Minimum capitalization of US$10 million for wholly owned subsidiaries and US$ 5 million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.
ii. Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPS.

c. At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.

For the purpose of these guidelines, `undeveloped plots` will mean where roads, water supply, street lighting, drainage, sewerage,

and other conveniences, as applicable under prescribed regulations, have not been made available It will be necessary that the investor provides this infrastructure and obtains the completion certificate from the concerned local body/service agency before he would be allowed to dispose of serviced housing plots.

d. The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government/Municipal/Local Body concerned.

e. The investor shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-Laws/ regulations of the State Government! Municipal/Local Body concerned.

f. The State Government! Municipal/ Local Body concerned, which approves the building / development plans, would monitor compliance of the above conditions by the developer.

2. Para(iv) of Press Note 4 (2001 Series), issued by the Government on 21.5.2001, and Press Note 3 (2002 Series), issued on 4.1.2002, stand superceded.

Sd/- (UMESH KUMAR) Joint Secretary to the Government of India No.5(6)/2000-FC dated 3rd March, 2005.